

NEW AMERICA SCHOOL - LOWRY

BASIC FINANCIAL STATEMENTS

June 30, 2017



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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
New America School - Lowry
Aurora, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of New America School - Lowry, as of and for the year ended, June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of New America School – Lowry, as of and for the year ended June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 27-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttrell & Associates, LLC

October 10, 2017

New America School - Lowry Management's Discussion and Analysis

As management of New America School - Lowry (NAS-L or the School), we offer readers of New America School - Lowry's financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017.

Financial Highlights

The year ended June 30, 2017 is the twelfth year of operations for NAS-L. As of June 30, 2017, net position decreased by \$(2,113,406) to \$(5,947,028). This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Further information about GASB 68 is provided in Note 6 of the financial statements.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was \$3,485,030. At the close of the fiscal year, New America School - Lowry's governmental funds reported a combined ending fund balance of \$617,116, a decrease of \$(118,400) from prior year. This decrease is the result of repayment of a prior year PPR audit adjustment, and one-time purchases of an activity bus and a new computer cart with computers.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the school supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Colorado Charter School Institute). The governmental activities of the School include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The School has one governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts annually appropriated budgets for any governmental funds. A budgetary comparison schedule for each governmental fund has been provided herein.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-26.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of New America School - Lowry, liabilities exceeded assets resulting in a net position of \$(5,947,028) in FY 2016-2017. Again, this is directly related to the new pension liability reporting requirement under GASB 68. Of the School's total net position, \$105,829 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the

TABOR Amendment. Accordingly, these funds are not available to satisfy the school's general operating expenses.

**New America School - Lowry's Net Position
Governmental Activities**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and Investments	\$ 442,671	\$ 437,469
Accounts Receivable	47,900	445,937
Grants Receivable	96,172	28,477
Due from New America Schools	232,863	5,118
Prepaid Items	40,481	37,593
Capital Assets, Net of Accum Depreciation	97,137	35,290
Total Assets	957,224	989,884
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	5,163,957	984,455
LIABILITIES		
Accounts Payable	22,354	28,471
Due to New America Schools	6,530	6,530
Accrued Salaries & Benefits	180,034	176,786
Unearned Revenue	34,053	7,291
Noncurrent Liabilities		
Compensated Absences	19,700	9,392
Net Pension Liability	11,752,437	5,501,516
Total Liabilities	12,015,108	5,729,986
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	53,101	77,975
NET POSITION		
Investment in Capital Assets	97,137	35,290
Restricted for Emergencies	105,829	105,617
Unrestricted	(6,149,994)	(3,974,529)
Total Net Position	\$ (5,947,028)	\$ (3,833,622)

The largest portion of the School's assets is in cash and investments, at 46% of total assets in 2017.

**New America School - Lowry's Change in Net Position
Governmental Activities**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Program Revenue:		
Charges for Services	\$ 38,608	\$ -
Operating Grants and Contributions	779,934	726,429
Capital Grants and Contributions	122,586	117,226
Total Program Revenue	<u>941,128</u>	<u>843,655</u>
General Revenue:		
Per Pupil Revenue	3,485,030	3,442,069
Other Income	956	1,780
Total General Revenue	<u>3,485,986</u>	<u>3,443,849</u>
Total Revenue	<u>4,427,114</u>	<u>4,287,504</u>
Expenses:		
Current:		
Instruction	3,050,288	1,612,141
Supporting Services	3,490,232	2,998,456
Total Expenses	<u>6,540,520</u>	<u>4,610,597</u>
Increase/(Decrease) in Net Position	(2,113,406)	(323,093)
Net Position, Beginning	<u>(3,833,622)</u>	<u>(3,510,529)</u>
Net Position, Ending	<u>\$ (5,947,028)</u>	<u>\$ (3,833,622)</u>

The largest portion of the School's revenues came from per pupil revenue – 79%, respectively in 2017.

Financial Analysis of the Government's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$617,116, a decrease of \$(118,400) from prior year.

General Fund Budgetary Highlights

The School approves a preliminary general fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between its final budgeted and actual activities. Overall, the school recognized \$(28,994) less revenue than expected and spent \$(106,661) less than planned, when compared to the final budget. Two budget amendments were made during FY 2016-2017.

Capital Assets & Long-Term Debt

The School has invested in capital assets in the form of leasehold improvements and equipment purchased in support of the school's educational program. Depreciation expenses for capital assets are booked under Supporting Services of the School's operations. See Note 4 for more information.

The School has long term obligations related to compensated absences. With employment contract terms from August 1 to July 31, the School provides opportunities for employees to carry all unused vacation days through July and up to five days may be carried into the next school year. This commitment makes it possible for employees to use vacation that has been earned throughout the school year. The liability for compensated absences payable as of June 30, 2017 is \$19,700

Economic Factors and Next Year's Budget

The primary factor driving the budget for New America School - Lowry is student enrollment. Enrollment for the 2016-2017 school year was 441.50 funded students. This information was analyzed as part of the 2017-2018 budget which is projecting a 415.00 funded student count.

Requests for Information

This financial report is designed to provide a general overview of New America School - Lowry's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

New America School
925 S. Niagara St., Suite 140
Denver, Colorado 80224

BASIC FINANCIAL STATEMENTS

NEW AMERICA SCHOOL - LOWRY

STATEMENT OF NET POSITION

As of June 30, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	\$ 442,671	\$ 437,469
Accounts Receivable	47,900	445,937
Grants Receivable	96,172	28,477
Due from New America Schools	232,863	5,118
Prepaid Items	40,481	37,593
Capital Assets, Net of Accumulated Depreciation	97,137	35,290
	<u>957,224</u>	<u>989,884</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	5,163,957	984,455
LIABILITIES		
Accounts Payable	22,354	28,471
Due to New America Schools	6,530	6,530
Accrued Salaries	180,034	176,786
Unearned Revenue	34,053	7,291
Noncurrent Liabilities		
Compensated Absences	19,700	9,392
Net Pension Liability	11,752,437	5,501,516
	<u>12,015,108</u>	<u>5,729,986</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	53,101	77,975
NET POSITION		
Net Investment in Capital Assets	97,137	35,290
Restricted for Emergencies	105,829	105,617
Unrestricted	(6,149,994)	(3,974,529)
	<u>\$ (5,947,028)</u>	<u>\$ (3,833,622)</u>

The accompanying notes are an integral part of the financial statements.

NEW AMERICA SCHOOL - LOWRY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	TOTAL	
	2017	2016
ASSETS		
Cash and Investments	\$ 442,671	\$ 437,469
Accounts Receivable	47,900	445,937
Grants Receivable	96,172	28,477
Due from New America School	232,863	5,118
Prepaid Items	40,481	37,593
	<u>40,481</u>	<u>37,593</u>
TOTAL ASSETS	<u>\$ 860,087</u>	<u>\$ 954,594</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 22,354	\$ 28,471
Due to New America School	6,530	6,530
Accrued Salaries	180,034	176,786
Unearned Revenue	34,053	7,291
	<u>34,053</u>	<u>7,291</u>
TOTAL LIABILITIES	<u>242,971</u>	<u>219,078</u>
FUND BALANCES		
Nonspendable	40,481	37,593
Restricted for Emergencies	105,829	105,617
Unassigned	470,806	592,306
	<u>470,806</u>	<u>592,306</u>
TOTAL FUND BALANCES	617,116	735,516
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds.	97,137	35,290
Long-term liabilities are not due and payable in the current period and are not reported in the funds. This liability relates to compensated absences.	(19,700)	(9,392)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$11,752,437), deferred outflows related to pensions of \$5,163,957, and deferred inflows related to pensions of (\$53,101).	(6,641,581)	(4,595,036)
Net position of governmental activities	<u>\$ (5,947,028)</u>	<u>\$ (3,833,622)</u>

The accompanying notes are an integral part of the financial statements.

NEW AMERICA SCHOOL - LOWRY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	<u>TOTAL</u>	
	<u>2017</u>	<u>2016</u>
REVENUES		
Local Sources	\$ 3,526,805	\$ 3,444,149
State Sources	236,388	250,085
Federal Sources	663,921	593,270
	<u>4,427,114</u>	<u>4,287,504</u>
TOTAL REVENUES		
EXPENDITURES		
Instruction	1,798,038	1,414,773
Supporting Services	2,747,476	2,903,949
	<u>4,545,514</u>	<u>4,318,722</u>
TOTAL EXPENDITURES		
NET CHANGE IN FUND BALANCE	(118,400)	(31,218)
FUND BALANCE, Beginning	<u>735,516</u>	<u>766,734</u>
FUND BALANCE, Ending	<u>\$ 617,116</u>	<u>\$ 735,516</u>

The accompanying notes are an integral part of the financial statements.

NEW AMERICA SCHOOL - LOWRY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (118,400)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$85,425 exceeded depreciation expense (\$23,578) for the current year.	61,847
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. This is the increase in compensated absences.	(10,308)
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>(2,046,545)</u>
Change in Net Position of Governmental Activities	<u>\$ (2,113,406)</u>

The accompanying notes are an integral part of the financial statements.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New America School – Lowry (the “School”) was organized in 2005 pursuant to the Colorado Charter Schools Act to form and operate a charter. The School receives its State funding from the Charter School Institute (the “Institute”).

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

Based upon the application of these criteria, no additional organizations are included in the School’s reporting entity.

Government-Wide and Fund Financial Statements

The School financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund— This fund is the general operating fund of the School. It is used to account for all financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Assets, Liabilities and Fund Balance/Net Position

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: building improvements, 30 years, machinery and equipment 5 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

The School had no long-term debt at June 30, 2017.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Net Position— The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as deposits and prepaid amounts) or are legally or contractually required to be maintained intact. The School reports its prepaid amounts as nonspendable as of June 30, 2017.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2017.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

Compensated Absences

School employees are entitled to certain compensated absences based on length of employment. Upon termination, employees will be reimbursed for any unused compensated absences at rates depending on length of service.

These compensated absences are recognized as current salary costs when due in the governmental fund types. A liability in the amount of \$19,700 has been recorded in the government-wide financial statements for the accrued compensated absences.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial coverage for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the general fund on a basis consistent with generally accepted accounting principles. School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 3: CASH AND INVESTMENTS

A reconciliation of the cash and investment components on the balance sheet to the cash and investment categories in this footnote are as follows:

Cash	\$	500
Deposits		<u>442,171</u>
Total	\$	<u>442,671</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the School had deposits with financial institutions with a carrying amount of \$442,171. The bank balances with the financial institutions were \$462,337. Of these balances, \$250,000 was covered by federal depository insurance and \$212,337 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The School had no investments as of June 30, 2017.

The School has no policy for managing credit risk or interest rate risk.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2017, is summarized below.

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Governmental Activities				
Capital Asset, depreciated				
Leasehold Improvements	\$ 20,768	\$ 42,600	-	\$ 63,368
Equipment	<u>56,597</u>	<u>42,825</u>	<u>-</u>	<u>99,422</u>
 Total Capital Assets, Depreciated	 <u>77,365</u>	 <u>85,425</u>	 <u>-</u>	 <u>162,790</u>
 Accumulated Depreciation				
Leasehold Improvements	\$ 6,923	\$ 12,792	-	\$ 19,715
Equipment	<u>35,152</u>	<u>10,786</u>	<u>-</u>	<u>45,938</u>
 Total Accumulated Depreciation	 <u>42,075</u>	 <u>23,578</u>	 <u>-</u>	 <u>65,653</u>
 Total Capital Assets, Net	 <u>\$ 35,290</u>	 <u>\$ 61,847</u>	 <u>\$ -</u>	 <u>\$ 97,137</u>

Depreciation has been charged to supporting services program of the School.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2017, were \$180,034. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer contribution rate ¹	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total employer contribution rate to the SCHDTF¹	18.13%	18.63%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$376,263 for the year ended June 30, 2017.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017 the School reported a liability of \$11,752,437 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the School proportion was 0.03947 percent, which was an increase of 0.0036 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017 the School recognized pension expense of \$2,422,809. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$146,923	\$103
Changes of assumptions or other inputs	\$3,813,421	\$52,998
Net difference between projected and actual earnings on pension plan investments	\$392,977	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$619,820	N/A
Contributions subsequent to the measurement date	\$190,816	N/A
Total	\$5,163,957	\$53,101

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$190,816 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,:	
2018	\$1,926,933
2019	\$1,921,001
2020	\$960,233
2021	\$110,805
2022	\$1,068

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07;	
	and DPS benefit structure (automatic)
	2.00 percent
PERA benefit structure hired after 12/31/06	
(ad hoc, substantively automatic)	Financed by the
	Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$14,778,312	\$11,752,438	\$9,287,971

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits (Continued)

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the School’s employer contribution to the HCTF was \$19,783, \$16,809 and \$14,874, respectively, equal to their required contribution for the year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Management Agreement

New America School – Lowry is operated by New America Schools (“NAS”), a Colorado nonprofit corporation. NAS provides certain legal, management, accounting, and advertising services to the School. The School has agreed to pay management fees to NAS for these services at a rate of 12.5% of per pupil revenues. For the year ended June 30, 2017, the School paid \$455,534 to NAS under the terms of this agreement. In addition, the School had a payable to NAS of \$6,530 and NAS owed the School \$232,863.

Operating Leases

The School began leasing its office and school facilities in July 2005 under an operating lease that originally expired on June 30, 2010 and was extended through June 30, 2011. For the year ended June 30, 2012, the lease was renewed and the School anticipates entering into one-year lease agreements under similar terms each year.

The School paid \$463,608 of rent expense during the year ended June 30, 2017.

Claims and Judgments

The School participates in state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

NEW AMERICA SCHOOL - LOWRY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 7: **COMMITMENTS AND CONTINGENCIES** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2017, the reserve of \$105,829 was recorded as a reservation of fund balance in the General Fund.

NOTE 8: **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$5,947,028 due to the School including the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

NEW AMERICA SCHOOL - LOWRY

GENERAL FUND
 BUDGETARY COMPARISON STATEMENT
 Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Operating Revenue	\$ 3,445,901	\$ 3,485,030	\$ 3,485,030	\$ -	\$ 3,442,069
Tuition and Fees	95,000	38,608	38,608	-	-
Grants and Donations	30,000	2,000	2,211	211	300
Other	14,000	1,167	956	(211)	1,780
State Sources					
Grants and Donations	228,502	264,934	236,388	(28,546)	250,085
Federal Sources					
Grants and Donations	470,769	664,369	663,921	(448)	593,270
TOTAL REVENUES	4,284,172	4,456,108	4,427,114	(28,994)	4,287,504
EXPENDITURES					
Salaries	1,718,895	2,084,829	1,962,883	121,946	1,768,163
Employee Benefits	548,550	662,459	663,721	(1,262)	558,682
Purchased Services	1,469,615	1,496,809	1,582,254	(85,445)	1,660,996
Supplies and Materials	171,237	150,302	150,302	-	201,926
Property and Equipment	58,621	92,276	122,640	(30,364)	71,133
Other	35,700	59,671	63,714	(4,043)	57,822
Reserves	104,477	105,829	-	105,829	-
TOTAL EXPENDITURES	4,107,095	4,652,175	4,545,514	106,661	4,318,722
NET CHANGE IN FUND BALANCE	177,077	(196,067)	(118,400)	77,667	(31,218)
FUND BALANCE, Beginning	766,734	735,516	735,516	-	766,734
FUND BALANCE, Ending	\$ 943,811	\$ 539,449	\$ 617,116	\$ 77,667	\$ 735,516

See the accompanying independent auditor's report.

NEW AMERICA SCHOOL - LOWRY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
School's proportionate share of the Net Pension Liability	0.036%	0.032%	0.036%	0.039%
School's proportionate share of the Net Pension Liability	\$ 4,531,136	\$ 4,350,867	\$ 5,501,516	\$ 11,752,437
School's covered-employee payroll	\$ 1,241,407	\$ 1,189,529	\$ 1,567,608	\$ 1,771,591
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	365.0%	365.8%	350.9%	663.4%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

See the accompanying independent auditors' report.

NEW AMERICA SCHOOL - LOWRY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 169,414	\$ 239,105	\$ 308,822	\$ 376,363
Contributions in relation to the Statutorily required contributions	<u>169,414</u>	<u>239,105</u>	<u>308,822</u>	<u>376,363</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 998,191	\$ 1,338,405	\$ 1,647,936	\$ 1,939,464
Contributions as a percentage of covered-employee payroll	16.97%	17.86%	18.74%	19.41%

See the accompanying independent auditors' report.